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Report Highlights:

Ukraine is expected to increase beef exports to the Russian Federation despite lower anticipated beef production in 2004. U.S. red meat exports to Ukraine continue to be limited by the lack of negotiated veterinary certificates and high import duties.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Kiev [UP1], UP

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Executive Summary

Beef production in Ukraine will continue to decline in 2004, reflecting low profitability for cattle raising and reduced feed availability. Pork output, however, will increase as a result of the anticipated rise in hog slaughter and reduced ending inventories in 2004. Exports of Ukrainian beef to the Russian Federation are forecast to increase slightly at the expense of domestic beef consumption. Prospects for high quality U.S. beef sales to the Ukrainian restaurant sector and pork exports for further processing remain uncertain due to the absence of negotiated veterinary certificates and high import duties.

Section I. Narrative

Production

Beef production in 2004 will continue on the downward trend begun in the early 1990s. It is expected that both cattle slaughter and average slaughter weight in 2004 will be lower as compared with the revised 2003 estimates. The former collective farms have regularly claimed losses this year due to low beef prices. They will likely lead the way in reducing cattle numbers in 2004. Private households, which on average have two to three head of cattle per farm, have been able to maintain their inventories in 2003. Nevertheless, households will be forced to reduce their backyard cattle herds in 2004 due to significantly reduced availability of hay, other roughage and feed grains. See table in Section II on cattle inventories held by two major types of farms in Ukraine.

Ukraine's cattle herd is comprised mainly of dairy and dual purpose breeds. Post has incorporated beef cow numbers published by the Government of Ukraine (GOU) in 2003 into the PSD. According to this new data, the share of beef cattle within Ukraine's total cattle inventory is now lower than the earlier estimate of 3%. Fluid milk production remains the major reason for raising cattle. The share of cows within the overall cattle inventory increased from 34% in 1991 to 52% in 2003, while the share of finishing cattle declined from 57% to 38% during the same period. GOU subsidy programs (see GAIN Report #UP 2008) aimed to reduce cattle slaughter have failed. These programs attempt to encourage farmers to switch to raising beef cattle and to sell animals at higher slaughter weights. The GOU will allocate nearly UAH 500 million (\$94 million) in disaster relief to the domestic industry in 2003; however, this funding will only be sufficient to slow down the decline in cattle numbers.

The swine population is also forecast to decline by the end of 2004. Reduced availability of feed wheat and barley in 2003 will not be fully offset by the anticipated increase in corn production. Therefore, the average slaughter weight per hog is expected to decline in 2004 as compared to the revised estimate for 2003. It is also unlikely that Ukrainian hog farmers will enjoy an increased supply of sunflowermeal in MY 2003/2004 due to the lack of an effective distribution system to supply private household farms. As of July 1, 2003, private households accounted for 66% of all hogs in Ukraine.

While the estimate of swine slaughter in 2003 has been increased based on the most recent official data the pork production estimate has not been increased proportionally because of reduced slaughter weights.

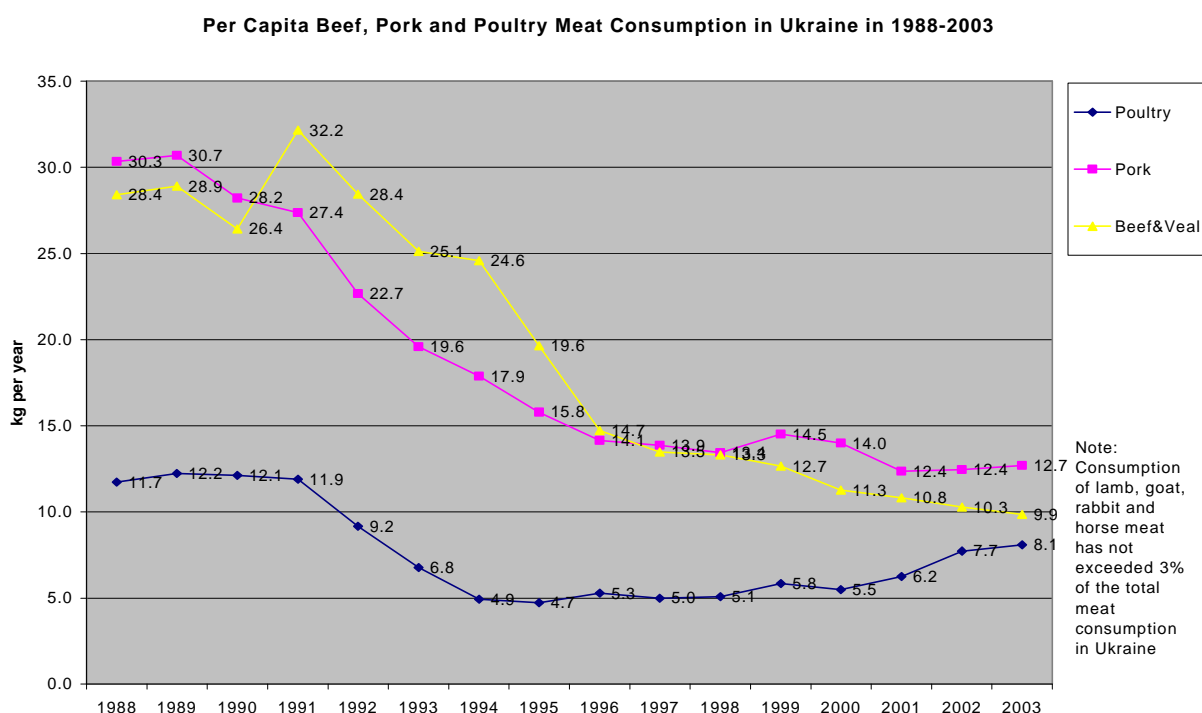
Post incorporated official Ukrainian data for 2002 calf and piglet output, losses and ending inventories, beef and pork production, trade in live animals, meat and meat products into the appropriate PSDs. Beef and pork trade

estimates are provided on a Carcass Weight Equivalent (CWE) basis while trade matrices provided in Section II include data on a Product Weight Equivalent (PWE) basis.

Consumption

Beef and veal consumption in 2004 will likely continue to decline. Despite a continuous decline in beef prices since December 2001, Ukrainian consumers still prefer pork and poultry meat. This preference is unrelated to BSE fears since this disease has not been detected in Ukraine and there is very little consumer awareness of BSE.

Pork consumption in 2004 is anticipated to increase due to higher expected production. Retail pork prices have been in decline since October 2001. An additional reason for increased pork consumption besides declining



prices is consumers' preference for the more tender pork as compared to the less-tender Ukrainian beef.

Source: Meat consumption levels derived by FAS/Kiev from the USDA PSD database and official Ukrainian population statistics.

Trade

Ukraine will reduce exports of live cattle to the Middle East in 2004 due to lower forecasted inventories, particularly at commercial farms (former collective farms). The current export duty scheme for livestock restricts exporting through middlemen. Payment of the export duty can be avoided if a farmer exports his own

cattle directly. The most recent trade data for cattle exports from Ukraine is provided in Section II.

Despite the lower forecast for beef production, frozen beef exports to the Russian Federation in 2004 are anticipated to increase. The major reason behind this expectation is declining domestic beef consumption and low beef prices. The Russian tariff rate quota does not restrict beef imports from Ukraine; therefore, additional demand from Russia for Ukrainian beef is very likely to occur in 2004 if other suppliers meet their quota allocations. It is unlikely that EU or Central European beef imported into Ukraine will be re-exported on a large scale to Russia as unrestricted Ukrainian product.

The 2003 beef export estimate remains unchanged. Ukraine's beef exports to the Russian Federation for January-May 2003 are higher than during the same period in 2002 (see trade matrix in Section II). Demand from Russian buyers in 2003 has been stimulated by lower prices. According to official statistics, the price of frozen beef declined from \$1,506 per 1 MT in January-May 2002 (DAF Russian Border basis) to \$1,272 per 1 MT in January-May 2003.

Ukrainian exporters will likely continue to increase exports of boneless beef (HS 202300000) as opposed to the traditional beef carcasses and half carcasses in 2004 in order to meet the Russian import veterinary requirements. Exports of boneless beef from Ukraine to the Russian Federation increased from 12,000 MT in January-May 2002 to 19,000 MT in January-May 2003.

Pork exports to the Russian Federation are anticipated to increase due to higher domestic production. As previously expected, Ukraine did resume pork exports to the Russian Federation in 2002 (see Pork Export Trade Matrix in Section II).

Beef imports in 2004 will remain at the revised level for the current year and are not expected to exceed 5,000 MT. There is unmet demand for prime beef in Ukraine, mostly from the hotel, restaurant and institutional (HRI) sector (see Beef Import Trade Matrix in Section II). Poland is the major beef supplier to Ukraine. The occurrence of BSE in Poland has opened the door for new suppliers to Ukraine. Unfortunately, U.S. beef and pork are hit with a double whammy when it comes to trade with Ukraine. The absence of negotiated U.S. veterinary health certificates for export to Ukraine results in only very limited trade in red meat products. Restrictively high import duties compound the problem. These two factors remain the major impediments to importing U.S. beef, pork and processed meat products into Ukraine.

Stocks

There continues to be no publicly available data on beef and pork stocks held by the GOU. Post's ending inventories for beef and pork remain unchanged. The GOU maintains an emergency strategic reserve of beef and pork. This reserve is not utilized as a price intervention mechanism.

Bibliography

U.S. wheat could land in Ukraine before November 2003. GAIN Report # UP 3004.

Section II. Statistical Tables

Livestock Inventories by Type of Farm in Ukraine as of July 1, 2003, 1,000 Head

	July 1, 2003	% of June 1, 2003	% of July 2002
Cattle, total	9,408	96.7	91.5
- including cows	4,666	99.3	93.3
Cattle held by Private Household Plots	5,379	95.8	99.7
- including cows	3,386		
Cattle held by Former Collective Farms	4,029	98.0	82.5
- including cows	1,281	98.5	79.1
Swine, total	9,076	99.7	96.5
Swine held by Private Household Plots	5,986	100.2	98.8
Swine held by Former Collective Farms	3,090	98.9	92.2

Ukraine Cattle PSD Table, 1,000 Head

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	9433	9433	9280	9108	8960	8700
Dairy Cows Beg. Stocks	4918	4855	4850	4700	0	4500
Beef Cows Beg. Stocks	0	63	0	60	0	55
Production (Calf Crop)	4600	4679	4550	4480	0	4320
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	3	0	0
TOTAL Imports	0	0	0	3	0	0
TOTAL SUPPLY	14033	14112	13830	13591	8960	13020
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	10	20	20	0	10
TOTAL Exports	10	10	20	20	0	10
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	4600	4795	4700	4700	0	4680
Total Slaughter	4600	4795	4700	4700	0	4680
Loss	143	199	150	171	0	130
Ending Inventories	9280	9108	8960	8700	0	8200
TOTAL DISTRIBUTION	14033	14112	13830	13591	0	13020
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine Cattle Export Trade Matrix, Head

Exports for:	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
U.S.	0	0	0	0	0	0
Others						
Lebanon	6000	2462	444	0	0	5394
Jordan	660	12805	3094	10253	3616	3587
Syria	0	0	0	0	0	655
Georgia, Republic of	0	0	0	25	0	14
Uzbekistan	0	0	0	215	0	0
Egypt	0	1886	0	0	0	0
Russian Federation	20	0	0	0	0	0
Total for Others	6680	17153	3538	10493	3616	9650
Others not Listed	0	0	0	0	0	0
Grand Total	6680	17153	3538	10493	3616	9650

Data Source: State Statistics Committee of Ukraine

Ukraine Beef and Veal PSD Table, 1,000 MT CWE, 1,000 Head

Year	2002	2003	% Change
Jan	12.83	10.83	-15.59%
Feb	12.61	10.69	-15.23%
Mar	12.51	10.57	-15.51%
Apr	12.39	10.5	-15.25%
May	12.3	10.53	-14.39%
Jun	12.12	10.51	-13.28%
Jul	11.92		-100.00%
Aug	11.81		-100.00%
Sep	11.75		-100.00%
Oct	11.62		-100.00%
Nov	11.17		-100.00%
Dec	10.78		-100.00%
Exchange Rate	5.3	Local currency/US \$	

Data Source: State Statistics Committee of Ukraine

There were no fresh or chilled beef imports (HS 0201) into Ukraine in 2000-2002.

Frozen Beef Import Trade Matrix, MT

Imports from	1998	1999	2000	2001	2002	Jan- May 2002	Jan-May 2003
United States	32	9	7	5	3	1	2
Others							
Hungary	0	0	0	0	20	0	36
Poland	1975	593	141	928	234	234	0
Russian Federation	0	2	712	451	81	63	0
Spain	0	0	60	20	0	0	0
Austria	109	114	217	20	0	0	0
Australia	45	0	0	16	0	0	0
Germany	153	333	434	0	0	0	0
Argentina	0	0	20	0	0	0	0
Denmark	1	0	20	0	0	0	0
Total for Others	2283	1042	1604	1435	335	297	36
Others not Listed	21	21	0	0	20	0	0
Grand Total	2336	1071	1609	1,440	358	298	38

Data Source: State Statistics Committee of Ukraine (HS 0202).

Processed Beef Products Import Trade Matrix, MT

Imports from	1998	1999	2000	2001	2002	Jan- May 2002	Jan-May 2003
United States	9	29	7	0	0	0	0
Others							
Russian Federation	93	323	125	136	1266	303	467
Estonia	424	20	3	0	17	0	0
Moldova	18	1	40	14	0	0	0
Italy	0	0	9	0	0	0	0
Canada	0	0	6	0	0	0	0
Poland	0	6	0	0	0	0	0
Hungary	0	5	0	0	0	0	0
Germany	7	4	0	0	0	0	0
Belgium	17	0	0	0	0	0	0
Total for Others	558	358	183	150	1283	303	467
Others not Listed	3	4	1	0	0	0	0
Grand Total	571	391	190	150	1283	303	467

Data Source: State Statistics Committee of Ukraine (HS 160250).

Fresh or Chilled Beef Export Trade Matrix, MT

Exports to	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	0	0	0	0	0	0	0
Others							
Russian Federation	918	342	1	0	595	91	110
Bulgaria	53	0	0	0	0	0	11
Belarus	0	0	0	0	0	0	0
Macedonia	0	0	0	0	0	0	0
Turkey	0	0	1	2	0	1	0
Albania	0	7	0	0	0	0	0
Jordan	16	0	0	0	0	0	0
Malta	0	0	1	0	0	0	0
Total for Others	988	349	2	2	595	92	121
Others not Listed	1	1	0	0	1	0	0
Grand Total	989	350	3	2	596	92	121

Data Source: State Statistics Committee of Ukraine (HS 0201).

Frozen Beef Export Trade Matrix, MT

Exports to	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	0	0	0	0	0	0	0
Others							
Russian Federation	94,084	129,908	134,972	90,082	130,558	44,953	47,727
Azerbaijan	105	0	21	0	18	0	152
Macedonia	65	126	74	0	54	18	0
Bulgaria	753	143	83	0	0	0	0
Kazakhstan	0	0	0	18	0	0	0
Belarus	79	0	25	0	9	0	0
Georgia, Republic of	0	40	15	0	0	0	0
Lebanon	0	70	41	0	0	0	0
Moldova	117	0	0	0	0	0	0
Netherlands	0	53	77	0	0	0	0
Poland	19	0	0	0	0	0	0
Spain	0	0	0	0	20	0	0
Turkmenistan	0	104	1,100	0	0	0	0
Yugoslavia	0	0	18	0	0	0	0
Mauritania	0	0	2	0	0	0	0
Panama	0	0	3	0	0	0	0
Grand Total	95,221	130,443	136,431	90,100	130,659	44,971	47,879

Data Source: State Statistics Committee of Ukraine (HS 0202).

Processed Beef Products Export Trade Matrix, MT

Exports to	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	0	0	0	0	0	0	0
Others							
Russian Federation	14,685	9,447	4,957	297	901	335	498
Moldova	1	0	0	7	0	0	10
Tajikistan	0	0	0	0	0	15	4
Kuwait	0	0	0	0	0	0	3
United States	0	1	0	0	1	0	1
Azerbaijan	0	0	0	0	236	142	0
Tajikistan	0	0	0	0	50	0	0
Poland	0	0	0	2	0	0	0
Israel	0	0	0	1	0	0	0
Turkmenistan	0	0	315	0	0	0	0
Belarus	0	0	26	0	0	0	0
Total for Others	14,686	9,448	5,298	307	1,188	492	516
Others not Listed	39	1	1	0	0	0	0
Grand Total	14,724	9,449	5,299	307	1,188	492	516

Data Source: State Statistics Committee of Ukraine (HS 160250).

Average Monthly Beef Retail Prices in Ukraine, UAH per 1 kilogram

Year	2002	2003	% Change
Jan	12.83		-100.00%
Feb	12.61		-100.00%
Mar	12.51		-100.00%
Apr	12.39		-100.00%
May	12.3		-100.00%
Jun	12.12		-100.00%
Jul	11.92		-100.00%
Aug	11.81		-100.00%
Sep	11.75		-100.00%
Oct	11.62		-100.00%
Nov	11.17		-100.00%
Dec	10.78		-100.00%
Exchange Rate		Local currency/US \$	

Ukraine Swine PSD Table, 1,000 Head

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
TOTAL Beginning Stocks	8317	8317	9000	9204	9500	9500
Sow Beginning Stocks	603	603	625	633	0	620
Production (Pig Crop)	8500	8509	8750	8800	0	8700
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	16817	16826	17750	18004	9500	18200
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	6900	6686	7250	7504	0	8000
Total Slaughter	6900	6686	7250	7504	0	8000
Loss	917	936	1000	1000	0	900
Ending Inventories	9000	9204	9500	9500	0	9300
TOTAL DISTRIBUTION	16817	16826	17750	18004	0	18200
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine Pork PSD Table, 1,000 MT CWE, 1,000 Head

	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	6900	6686	7250	7504	0	8000
Beginning Stocks	22	22	22	22	22	22
Production	620	599	635	640	0	650
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	2	2	2	0	5
TOTAL Imports	2	2	2	2	0	5
TOTAL SUPPLY	644	623	659	664	22	677
Intra EC Exports	0	0	0	0	0	0
Other Exports	2	1	5	10	0	15
TOTAL Exports	2	1	5	10	0	15
Human Dom. Consumption	620	600	632	632	0	640
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	620	600	632	632	0	640
Ending Stocks	22	22	22	22	0	22
TOTAL DISTRIBUTION	644	623	659	664	0	677
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Fresh, Chilled and Frozen Pork Imports into Ukraine, MT

Imports from	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	221	7	6	28	2	0	1
Others							
Poland	314	2462	102	415	554	79	419
France	1766	436	346	82	221	65	196
Austria	0	0	15	473	132	87	80
Germany	496	677	98	137	129	60	20
Denmark	2	6	63	121	117	0	39
Belgium	20	10	0	270	51	0	80
Canada	0	0	0	67	21	21	0
Hungary	74	477	255	40	20	20	0
Netherlands	91	19	94	184	10	0	0
Total for Others	2764	4086	973	1790	1255	332	834
Others not Listed	133	373	113	25	0	0	0
Grand Total	3117	4466	1092	1844	1256	332	835

Data Source: State Statistics Committee of Ukraine (HS 0203)

Fresh, Chilled and Frozen Pork Exports from Ukraine, MT

Exports to	1998	1999	2000	2001	2002	Jan-May 2002	Jan-May 2003
United States	0	0	0	0	0	0	0
Others							
Russian Federation	738	7009	10204	1460	1070	213	5022
Turkey	0	0	0	0	1	1	0
Total for Others	738	7009	10204	1460	1071	214	5022
Others not Listed	1	0	2	3	0	0	0
Grand Total	739	7009	10206	1463	1071	214	5022

Data Source: State Statistics Committee of Ukraine (HS 0203)

Average Monthly Retail Pork Prices, UAH/kg

Year	2002	2003	% Change
Jan	15.85	13.08	-17.48%
Feb	15.49	12.78	-17.50%
Mar	15.23	12.65	-16.94%
Apr	15.18	12.57	-17.19%
May	15.18	12.56	-17.26%
Jun	15.04	12.49	-16.95%
Jul	14.71		
Aug	14.6		
Sep	14.55		
Oct	14.33		
Nov	13.63		
Dec	13.1		
Exchange Rate	5.3	Local currency/US \$	

Data Source: State Statistics Committee of Ukraine